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**AVONDALE
VOLUNTEER FIRE COMPANY, INC . (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7
OF JEFFERSON PARISH - AVONDALE DIVISION**

**ANNUAL FINANCIAL REPORT
Year Ended December 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-13-05

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the President and Board of
Avondale Volunteer Fire Company, Inc. (AVF)
Avondale, Louisiana

I have audited the accompanying financial statements of the governmental activities and each major fund (i.e., the General Fund) of Avondale Volunteer Fire Company, Inc. ("AVF"), a non-profit entity d/b/a Fire Protection District No. 7 of Jefferson Parish - Avondale Division, as of and for the year ended December 31, 2004, which collectively comprise AVF's basic financial statements as listed in the table of contents. These financial statements are the responsibility of AVF's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of AVF as of December 31, 2004 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 15, 2005, on my consideration of AVF's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

As described in Note H to the basic financial statements, AVF adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 36, "*Recipient Reporting for Certain Shared Non-exchange Revenues*", GASB Statement No. 37, "*Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments - Omnibus*", GASB No. 38, "*Certain Financial Statement Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". These new standards result in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In addition, the individual fund statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Paul C. Riney, CPA

June 15, 2005

AVONDALE VOLUNTEER FIRE COMPANY, INC.
500 SOUTH JAMIE BLVD.
AVONDALE, LA 70094

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Avondale Volunteer Fire Company, Inc. ("AVF"), a non-profit entity d/b/a Fire Protection District No. 7 of Jefferson Parish – Avondale Division, we offer readers of AVF'S financial statements this narrative overview and analysis of the financial activities of AVF for the fiscal year ended December 31, 2004.

We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- AVF was required to adopt the requirements of Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, for the fiscal year ended December 31, 2004. Thus, the format and contents of the financial report have changed significantly from the previous year. Because the restatement of the prior year financial statements into the new format was impractical, this year's management's discussion and analysis will only focus on the current year. In the future, as comparative statements are available, financial comparisons will be explained from year to year.
- The assets of AVF exceeded its liabilities at the close of the most recent fiscal year by \$416,240 (*net assets*). Of this amount, \$235,760 or 56.6 percent is invested in capital assets, such as vehicles and equipment. The remaining balance of \$180,480 (*unrestricted net assets*) or 43.4 percent may be used to meet the government's ongoing obligations to citizens and creditors.
- AVF'S total net assets decreased by (\$21,330) or 4.9 percent during the current year because total revenues were less than total expenses by that amount. The major item contributing to this increase was a \$26,000 increase in salaries due to raises and overtime.
- As of the close of the current fiscal year, AVF'S governmental fund (the General Fund) reported ending fund balance of \$180,480, an decrease of (\$13,042) or 6.7 percent in comparison with the prior year. Approximately \$180,480 or 100.0 percent of this total amount, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$180,480 or 35.8 percent of total general fund expenditures.

- AVF'S total debt decreased \$27,471 or 22.9 percent during 2004 as the capital lease on the fire truck is nearly paid off.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to AVF'S basic financial statements. As noted above, AVF'S adoption of GASB Statement No. 34 significantly changed the format and presentation of AVF'S financial report. AVF'S basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The "government-wide financial statements" are designed to provide readers with a broad overview of AVF'S finances, in a manner similar to a private-sector business.

The "Statement of Net Assets" presents information on all of AVF'S assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of AVF is improving or deteriorating.

The "Statement of Activities" presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements are designed to distinguish functions of AVF that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). It should be noted that AVF only has governmental activities.

The government-wide financial statements include only the financial activities of AVF, which include the activity of all AVF cash and savings accounts.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. AVF, because it is a "quasi-public" entity, uses fund accounting like state and local governments to ensure and demonstrate compliance with finance-related legal requirements.

AVF'S funds can be classified into three categories: governmental funds, proprietary funds, and fiduciary funds. As discussed below, AVF only presents governmental funds.

Governmental funds. “Governmental funds” are used to account for essentially the same functions reported as “governmental activities” in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for “governmental funds” with similar information presented for “governmental activities” in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between “governmental fund” and “governmental activities”.

AVF maintains only one fund (the General Fund). Information is presented in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General fund.

AVF is a “quasi-public” entity and is not required to adopt an annual budget. Thus, a budgetary comparison statement is not shown.

The basic governmental fund financial statements can be found on pages 15 to 18 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 to 27 of this report.

Other information. Individual fund statements and schedules, which show additional detailed financial information on the General Fund, is found on pages 29 and 30.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of AVF, assets exceeded liabilities by \$416,240 at December 31, 2004.

A large portion of AVF'S net assets (56.6 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and fixtures, vehicles and heavy equipment), less any related debt used to acquire those assets that is still outstanding. AVF used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although AVF'S investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

AVONDALE VOLUNTEER FIRE COMPANY, INC.

	Governmental Activities 2004	
Current and other assets	\$ 181,399	
Capital assets	327,930	
Total assets	509,329	
Long-term liabilities outstanding	92,170	
Other liabilities	919	
Total liabilities	93,089	
Net assets:		
Invested in capital assets, net of related debt	235,760	56.6%
Restricted	0	0.0%
Unrestricted	180,480	43.4%
Total net assets	\$ 416,240	

The balance of *unrestricted net assets* (\$180,480 or 43.4 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2004, AVF is able to report positive fund balances in all three categories of net assets.

AVF'S net assets decreased by (\$21,330) during the current fiscal year.

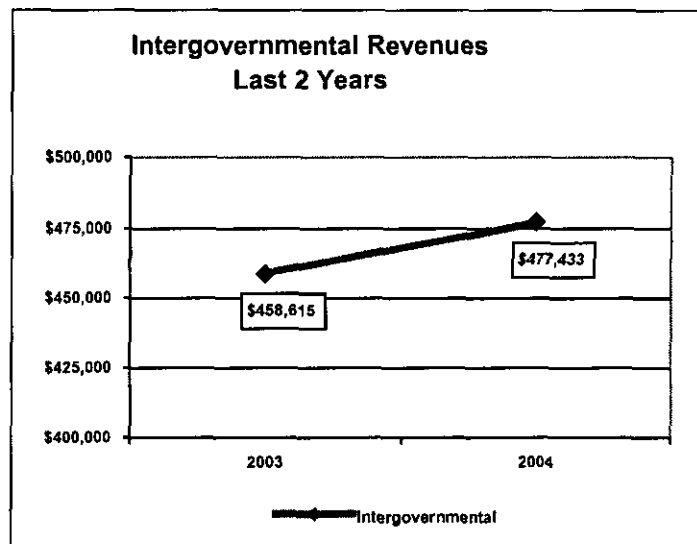
Governmental Activities. Governmental activities decreased AVF'S net assets by (\$21,330). Key elements of this increase are as follows:

AVONDALE VOLUNTEER FIRE COMPANY, INC.

	Governmental Activities 2004	
Revenues:		
Program revenues:		
Charges for services	\$ 2,864	0.6%
Operating grants and contributions	-	0.0%
Capital grants and contributions	-	0.0%
General revenues:		
Intergovernmental	477,433	97.1%
Unrestricted interest	668	0.1%
Unrestricted gifts and donations	-	0.0%
Miscellaneous	10,607	2.2%
Total revenues	491,572	100.0%
Expenses:		
Public Safety	512,902	100.0%
Total expenses	512,902	100.0%
Increase in net assets	(21,330)	
Net assets - Beginning of year	437,570	
Net assets - end of year	\$ 416,240	

- The program revenue charges for services was \$2,864. The main source of these revenues are sales to citizens from vending machines and from sales of ice.

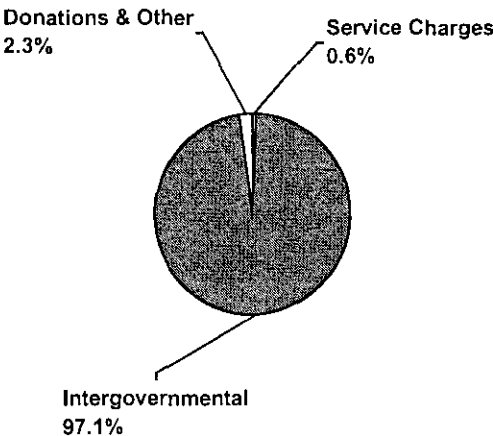
- Intergovernmental revenues come from the Parish of Jefferson and the State. The Parish levies an ad valorem tax in the District and remits a certain amount to AVF each month to provide funding to the Fire District. This allocation came in at \$432,000 for 2004. The Parish also provided \$34,340 towards payment on the capital lease. These monies come from a special 2 mill tax. Finally, the State provided \$11,093 to AVF for fire insurance rebates. Increases in Parish allocations are due to increases in assessed property values.



- Miscellaneous income of \$10,607 was made up of various items. Primarily insurance refunds and proceeds from damaged equipment.

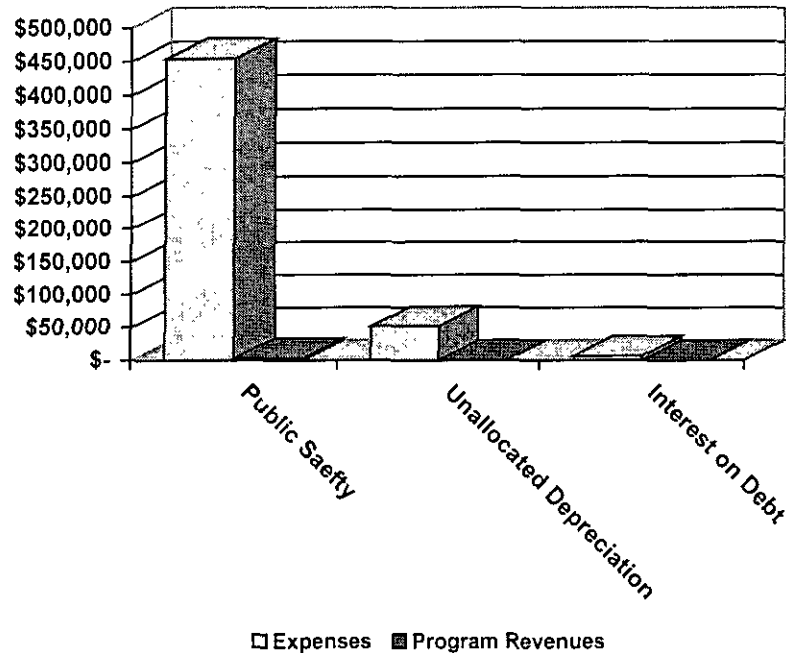
A breakdown of the revenues received by AVF'S governmental activities is as follows:

Revenues by Source - Governmental Activities



Expenses totaled \$512,902, including current year depreciation of \$51,858 and interest on long-term debt of \$6,820. As a fire district, the only function AVF provides is the public safety function. These expenses of AVF were offset by program revenues (service charges and grants) totaling \$2,864 (see above), leaving a net revenue (cost) to citizens of AVF of (\$510,038). A graph comparing the expenses with the program revenue generated is presented below.

Expenses and Program Revenues by Function/Bureau



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

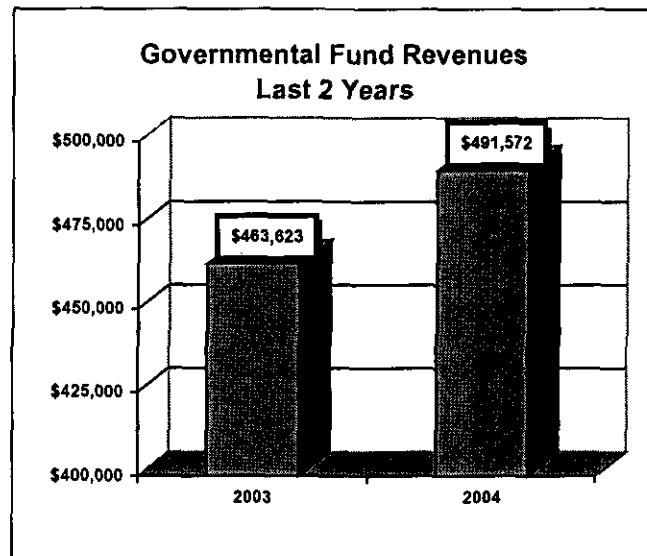
As noted earlier, AVF uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of AVF'S "governmental funds" is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing AVF'S financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2004, AVF'S governmental fund (i.e., the General Fund) reported ending fund balance of \$180,480, an decrease of \$(13,042) or 6.7 percent in comparison with the prior year. Approximately \$180,480 or 100.0 percent of this total constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

As noted above, the governmental funds include the general operating funds of AVF (i.e., the General Fund). Overall, as the graph shows, revenues of the Governmental Fund revenues significantly increased over the past year. Because of the small size of the operating fund, operating and capital grants can create large swings in revenues when recognized.

As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35.8 percent of total general fund expenditures.



The fund balance of AVF'S General fund decreased by \$(13,042) during the current fiscal year. Key factors in this change are as follows:

- The General Fund's revenues totaled \$491,572 while expenditures totaled \$504,614.
- Revenues increased by \$27,949 over the prior year, mainly because of:
 - Intergovernmental allocation (i.e., Property taxes) increasing \$18,000 due to increases in the assessed value of property in the parish.
 - Miscellaneous income was up \$6,264 due to insurance refunds and proceeds for damaged equipment (radios).

- Expenditures totaled \$504,614, an increase of \$63,736 or 14.5 percent compared to the prior year.
 - Salaries and related costs increased by \$23,000 due to raises and insurance increases,
 - General and administrative costs were up nearly 5,000 due to increases in general liability insurance,
 - Repairs and maintenance were up nearly \$8,000 due to vehicle repairs,
 - Capital outlays were up nearly \$18,000 due to current year purchases,

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. AVF'S investment in capital assets for its governmental activities as of December 31, 2004 amounts to \$235,760 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and fixtures, heavy equipment, and vehicles. AVF'S investment in capital assets decreased by \$(8,288) or 3.4 percent this year.

Major capital asset events during the current fiscal year included the following:

- \$7,092 was spent on equipment, primarily beepers and work out equipments.
- \$9,007 was spent on vehicles and firefighting equipment, primarily radios.
- \$51,858 was recognized as depreciation expense.
- Capital related debt decreased \$(27,471) as the capital lease is paid.

AVONDALE VOLUNTEER FIRE COMPANY, INC. CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities 2004
Land	\$ 8,834
Buildings	6,275
Furniture and fixtures	4,728
Vehicles and firefighting equipment	308,093
Total	<u>\$ 327,930</u>

Additional information on AVF'S capital assets can be found in Note D.2 on page 24.

Long-term Debt. At the end of 2004, AVF had total outstanding debt of \$92,170. This amount represents the balance on the capital lease payable for the Fire Truck purchased in 1997.

In total, AVF'S long-term debt decreased by \$27,471 due to payments made on the capital lease. Only three payments of \$34,291 remain due. Additional information on AVF'S long-term debt can be found in Note D.4 on page 25.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- The unemployment rate for the Parish of Jefferson is currently 4.9 percent, which is 0.3 percent higher than it was a year ago.
- Inflationary trends in the region compare favorably to national indices.
- The ad valorem millage rate levied for the 2004 (next year's) tax roll was 27.32 mills. This rate changed because 2004 is a reassessment year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of AVF'S finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Avondale Volunteer Fire Company, Inc., President, 500 S. Jamie Blvd. Avondale, LA 70094.

BASIC FINANCIAL STATEMENTS

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH
AVONDALE DIVISION

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 174,705
Investments	-
Receivables (net of allowance for uncollectibles)	6,694
Other assets	-
Capital assets (net of accumulated depreciation)	
Land	8,834
Buildings	6,275
Furniture and fixtures	4,728
Vehicles and firefighting equipment	308,093
TOTAL ASSETS	509,329
LIABILITIES	
Accounts payable and other current liabilities	-
Accrued payroll and deductions	919
Deferred revenue	-
Noncurrent liabilities:	
Due within one year	29,037
Due in more than one year	63,133
TOTAL LIABILITIES	93,089
NET ASSETS	
Invested in capital assets, net of related debt	235,760
Restricted for:	
Debt service	-
Other	-
Unrestricted	180,480
TOTAL NET ASSETS	\$ 416,240

The accompanying notes are an integral part of this statement.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH
AVONDALE DIVISION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

FOR THE YEAR ENDED DECEMBER 31, 2004

FUNCTION	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Primary Government					
Governmental Activities:					
Public Safety	\$ 454,224	\$ 2,864	\$ -	\$ -	\$ (451,360)
Unallocated depreciation expense	51,858	-	-	-	(51,858)
Interest on long-term debt	6,820	-	-	-	(6,820)
Total governmental activities	<u>\$ 512,902</u>	<u>\$ 2,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(510,038)</u>
GENERAL REVENUES:					
					432,000
					34,340
					11,093
					668
					-
					-
					10,607
TRANSFERS IN (OUT)					
					-
TOTAL GENERAL REVENUE AND TRANSFERS					<u>488,708</u>
CHANGE IN NET ASSETS					(21,330)
NET ASSETS					
Beginning of Year					437,570
End of Year					<u>\$ 416,240</u>

The accompanying notes are an integral part of this statement.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
 FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH
 AVONDALE DIVISION

GOVERNMENTAL FUNDS
 BALANCE SHEET
 DECEMBER 31, 2004

	<u>General Fund</u>
ASSETS	
Cash and Certificates of Deposit	\$ 174,705
Accounts Receivable	6,694
Prepaid items	-
TOTAL ASSETS	<u><u>\$ 181,399</u></u>
LIABILITIES, EQUITY & OTHER CREDITS	
Liabilities:	
Accounts payable	\$ -
Premiums payable	-
Salaries and related taxes payable	919
Total Liabilities	<u><u>919</u></u>
Equity & Other Credits:	
Investment in general fixed assets	-
Fund Balance	
Unreserved, undesignated	180,480
Total Equity & Other Credits	<u><u>180,480</u></u>
TOTAL LIABILITIES, EQUITY & OTHER CREDITS	<u><u>\$ 181,399</u></u>

The accompanying notes are an integral part of this statement.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH
AVONDALE DIVISION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

Amounts reported for governmental activities in the Statement of Net Assets (page 13) are different because:

Total Fund Balances at December 31, 2004 - Governmental Funds (page 15)	\$	180,480
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$866,271 and the accumulated depreciation is \$538,341.		327,930
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Capital lease payable		(92,170)
Total Net Assets of Governmental Activities at December 31, 2004 (page 13)	\$	<u>416,240</u>

The accompanying notes are an integral part of this statement.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH
AVONDALE DIVISION

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 477,433
Service charges and reimbursements	2,864
Donations and gifts	-
Interest	668
Miscellaneous	10,607
TOTAL REVENUES	<u>491,572</u>
EXPENDITURES	
Current	
Public Safety	
Personnel and related costs	367,550
General and administrative costs	50,148
Firefighting costs and supplies	13,457
Repairs and maintenance	23,069
Miscellaneous	-
Capital outlay	16,099
Debt Service	
Principal	27,471
Interest	6,820
TOTAL EXPENDITURES	<u>504,614</u>
EXCESS OF REVENUES OVER EXPENDITURES	(13,042)
OTHER FINANCING SOURCES	
Capital lease	-
Loan proceeds	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>(13,042)</u>
FUND BALANCE	
Beginning of year	193,522
End of year	<u>\$ 180,480</u>

The accompanying notes are an integral part of this statement.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH
AVONDALE DIVISION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Amounts reported for governmental activities in the Statement of Activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 17)	\$	(13,042)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(35,759)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	-
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The issuance of long-term debt (e.g., notes payable, leases) provides current financial resources to the governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	27,471
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Change in net assets of governmental activities (page 14)	<u>\$</u>	<u>(21,330)</u>
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The accompanying notes are an integral part of this statement.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Avondale Fire Company, Inc. ("AVF"), a non-profit entity d/b/a Fire Protection District No. 7 of Jefferson Parish - Avondale Division, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units under the legal premise that AVF is a "quasi-public" corporation. Quasi-public corporations are non-profit or private companies who are created to perform a public service and which receive the majority of their funding from public funds (i.e., taxes, grants, etc.). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of AVF's accounting policies are described below.

1. Reporting Entity

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and its component units. Component units are defined as legally separate organizations for which the elected officials of a primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Fire District No.7 of Jefferson Parish (the "District") was created by Parish Ordinance to provide fire protection services to the citizens of the District and the surrounding area. The District is serviced by five separate fire companies/divisions, each receiving a pro-rata share of the District's revenues. The District is currently funded by a 25 mill ad valorem tax levied by the District via the Parish Council and is governed by the same Council that governs the Parish. As such, the District is reported as a component unit within the Parish's financial statements.

Under a cooperative endeavor agreement, the daily operations of the District's Avondale Division are contracted out to Avondale Volunteer Fire Company, Inc. ("AVF"). AVF was incorporated as a non-profit service corporation under Section 501(c)(3) of the Internal Revenue Code. AVF has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provide in Section 170(b)(1)(A)(vi). AVF is governed by a President and a Board of Directors which are elected by the membership. The accompanying statements report transactions related only to those of AVF.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of AVF. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Because of the nature of AVF's operations, AVF reports only governmental activities.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Funds are used by AVF to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The funds of AVF are classified into the "governmental" category. The category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all financial activities of the general government not accounted for in some other fund.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AVF reports the following major governmental funds:

The *General Fund* is the general operating fund of AVF. It is used to account for all financial resources and expenditures. It includes the activity of the "private" account, as well as the "public funds" account.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using a *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Intergovernmental revenues received from the Parish in connection with the cooperative endeavor agreement are recognized in the year to be benefitted. All other service charges and intergovernmental revenues are recognized as received. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recognized as expenditures only when payment is due.

4. Budgets

As a quasi-public corporation, AVF is not required to adopt a budget, therefore, a budget to actual statement is not presented in the accompanying financial statements. An informal budget is adopted for internal purposes for the General Fund.

5. Assets, Liabilities, and Net Assets or Equity

A. *Cash and Investments*

For reporting purposes, cash and cash equivalents includes amounts in demand deposits, time deposits, and certificates of deposit.

Investments, if any, are stated at fair value, except for investments in government securities with maturities less than 1 year, which are stated at cost or amortized cost.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Inventories

The cost of materials and supplies acquired by AVF are recorded as expenditures at the time of purchase. It is management's opinion that the inventory of such materials and supplies at December 31, 2004 would not be material to the financial statements.

C. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by AVF as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and are included in construction in progress. The levees and breakwaters are divided into reaches and are capitalized as such. Any major "lifts" or improvements to an existing levee/reach is capitalized as an addition to that levee/reach.

Property, plant, equipment, and infrastructure is depreciated using the straight-line method (with a mid-year convention) over the following estimated useful lives:

<u>Asset Category</u>	<u>Useful Life in Years</u>
Buildings and improvements	20
Furniture and fixtures	3 to 5
Vehicles and heavy equipment	5 to 20

D. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources that are subject to change.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$2,617) difference are as follows:

Capital outlay	\$ 16,099
Depreciation expense	<u>(51,858)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u><u>\$ (35,759)</u></u>

Another element states that the issuance of long-term debt (e.g., notes payable, capital leases) provides current financial resources to the governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental fund. The details of the net effect of these differences in the treatment of long-term debt and related items are as follows:

Payments on capital leases payable	<u>\$ 27,471</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u><u>\$ 27,471</u></u>

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Compliance with Cooperative Endeavor Agreement

As a quasi-public corporation, AVF is not subject to all of the general statutes governing political subdivisions and other governments within the State of Louisiana. Instead, AVF must comply with the terms and conditions of the cooperative endeavor agreement it has with the Parish of Jefferson. As of December 31, 2004, AVF was in compliance with all of the significant conditions of the agreement.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

1. Deposits and Investments

The carrying amount of the AVF's deposits at December 31, 2004 was \$174,705 and the bank balance was \$183,729. All of these amounts were covered by FDIC.

2. Capital Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance December 31, 2003	Additions	Deletions	Transfers	Balance December 31, 2004
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 8,834	\$ 0	\$ 0	\$ 0	\$ 8,834
Total capital assets, not being depreciated	\$ 8,834	\$ 0	\$ 0	\$ 0	\$ 8,834
Capital assets, being depreciated					
Buildings	\$ 53,496	\$ 0	\$ 0	\$ 0	\$ 53,496
Furniture and fixtures	12,396	7,092	0	0	19,488
Vehicles and heavy equipment	775,446	9,007	0	0	784,453
Total capital assets, being depreciated	841,338	16,099	0	0	857,437
Less accumulated depreciation for:					
Buildings	(45,652)	(1,569)	0	0	(47,221)
Furniture and fixtures	(12,396)	(2,364)	0	0	(14,760)
Vehicles and heavy equipment	(428,435)	(47,925)	0	0	(476,360)
Total accumulated depreciation	(486,483)	(51,858)	0	0	(538,341)
Total capital assets being depreciated, net	\$ 354,855	\$ (35,759)	\$ 0	\$ 0	\$ 319,096
Total governmental activities capital assets, net	\$ 363,689	\$ (35,759)	\$ 0	\$ 0	\$ 327,930

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

3. Receivables

A breakdown of AVF'ss receivables at year end is as follows:

	<u>General</u>
Receivables:	
Other	
Refund due for tax deposits	\$ 6,694
Total Governmental Activities	<u>\$ 6,694</u>

4. Long-Term Debt

CAPITAL LEASES PAYABLE

AVF entered into a capital lease to purchase a new fire truck in October 1997. AVF put \$100,000 down and financed the remaining \$256,000 via a capital lease with Kansas State Bank. Under the lease, ten annual payments of \$34,291 are due each October. During the year, AVF made one payment of \$34,291 (\$27,471 principal and \$6,820 interest). Future minimum payments on the above lease for each of the next 5 years are as follows:

<u>Year Ending December 31,</u>	<u>Capital Lease</u> <u>Fire Truck</u>
2005	\$ 34,291
2006	34,291
2007	34,291
	<u>102,873</u>
Less imputed interest	(10,703)
	<u>\$ 92,170</u>

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended December 31, 2004:

	<u>Capital Lease Fire Truck</u>
Balance, beginning of year	\$ 119,641
Additions	0
Payments	(27,471)
Balance, end of year	<u>\$ 92,170</u>

It should be noted that the purchase of the fire truck is being financed via a special 2 mill ad valorem tax levied by the Parish Council/Fire District No. 7. The Parish remits a payment of \$34,340 each year to AVF to pay the lease payment due.

NOTE E - ECONOMIC DEPENDENCE

The Parish Council levies a 25 mill ad valorem tax to finance the operations of Fire Protection District No. 7. The Parish in turn contracts with local volunteer fire companies to provide fire protection services on a daily basis. AVF is one of five fire companies operating in Fire Protection District No. 7. Each fire company receives on a monthly basis, 1/12th of the currently budgeted revenues expected to be collected from the 25 mill tax.

During 2004, the remittance to AVF for operations totaled \$432,000 or 87.0 percent of its total revenues. Also, as mentioned in NOTE D.4, AVF receives \$34,340 each year as a subsidy to pay the capital lease payable.

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Risk Management

AVF is exposed to various risks of loss resulting from personal injury; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; and natural disasters. To protect against these risks of loss, the District purchases various types of insurance from commercial carriers (some directly and some through the Parish of Jefferson). In each policy, AVF is responsible for the deductible.

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH -
AVONDALE DIVISION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE F - COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Litigation

There is no litigation pending against AVF at December 31, 2004.

NOTE G - OTHER INFORMATION

1. Retirement

AVF's employees are members of the Social Security System. In addition to the employee contribution withheld at 7.65 per cent, AVF contributes an equal amount to the System. Aggregate pension costs for the year is \$20,449. AVF does not guarantee the benefits granted by the Social Security System.

NOTE H - CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2004, AVF has implemented GASB No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 36, "*Recipient Reporting for Certain Shared Non-exchange Revenues*", GASB Statement No. 37, "*Basic Financial Statement - and Management's Discussion and Analysis -for State and Local Governments - Omnibus*", GASB No. 38, "*Certain Financial Statement Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*".

As restatement of prior financial statements is not practical, the cumulative effect of applying these principles is reported as a restatement of beginning net assets on the Government-wide Statement of Activities . The net effect of \$244,048 was added to prior year's reported fund balances to arrive at a net asset balance at December 31, 2003 (i.e., beginning of year) of \$437,570.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH
AVONDALE DIVISION

GOVERNMENTAL FUNDS - GENERAL FUND
DETAILED SCHEDULE OF REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General Fund</u>
Intergovernmental	
Jefferson Parish contract:	
Direct payments - ad valorem taxes	\$ 432,000
Direct payments - fire truck subsidy	34,340
State	
Fire Insurance Rebate	11,093
	<u>477,433</u>
Service charges and reimbursements	
Vending/ice sales	2,864
	<u>2,864</u>
Donations and gifts	
Others	-
	<u>-</u>
Interest	668
	<u>668</u>
Miscellaneous	
Insurance proceeds	8,278
Sales of equipment	-
Dues	-
Other	2,329
	<u>10,607</u>
TOTAL REVENUES	<u>491,572</u>

AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
d/b/a
FIRE PROTECTION DISTRICT NO. 7 OF JEFFERSON PARISH
AVONDALE DIVISION

GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General Fund</u>
Public Safety	
Current	
Personnel and related costs	
Salaries	\$ 267,298
Payroll taxes	20,923
Health insurance	76,843
Uniforms and shirts	2,486
	<u>367,550</u>
General and administrative costs	
Groceries and supplies - station	10,528
Insurance - general	18,352
Legal and accounting	4,188
Office and computer supplies	3,578
Phones	37
Utilities	13,465
	<u>50,148</u>
Firefighting costs and supplies	
Firefighting supplies	6,618
Apparel	-
Professional dues	624
Gas and oil	6,215
	<u>13,457</u>
Repairs and maintenance	
R & M - buildings	7,801
R & M - equipment	1,118
R & M - vehicles	14,150
	<u>23,069</u>
Miscellaneous	
Gifts, flowers, and donations	-
Other	-
	<u>-</u>
Capital outlay	
Buildings and grounds	-
Furniture and fixtures	7,092
Vehicles and rescue equipment	9,007
	<u>16,099</u>
TOTAL CURRENT	<u>470,323</u>
Debt Service	
Principal	27,471
Interest	6,820
TOTAL DEBT SERVICE	<u>34,291</u>
TOTAL EXPENDITURES	<u>504,614</u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN
AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the President and Board of
Avondale Volunteer Fire Company, Inc. (AVF)
Avondale, Louisiana

I have audited the basic financial statements of Avondale Fire Company, Inc. ("AVF"), a non-profit entity d/b/a Fire Protection District No. 7 of Jefferson Parish - Avondale Division, as of and for the year ended December 31, 2004, and have issued my report thereon dated June 15, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether AVF's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered AVF's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of AVF's management, the Louisiana Legislative Auditor, all applicable Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, the report is distributed by the Legislative Auditor as a public document.

Paul C. Rine, CPA

June 15, 2005

**AVONDALE VOLUNTEER FIRE COMPANY, INC. (AVF)
D/B/A
FIRE PROTECTION DISTRICT No. 7 OF JEFFERSON PARISH
AVONDALE DIVISION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2004**

I have audited the financial statements of the Avondale Volunteer Fire Company, Inc. (AVF) as of and for the year ended December 31, 2004, and have issued my report thereon dated June 15, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2004 resulted in an unqualified opinion.

SECTION I - SUMMARY OF AUDITOR'S REPORTS

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Reportable Conditions were noted.
Material Weaknesses were noted.

Compliance:

No instances of noncompliance material to the financial statements were noted

B. Federal Awards - not applicable

C. Identification of Major Programs - not applicable

SECTION II - FINANCIAL STATEMENT FINDINGS

No Findings

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not Applicable

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

Not Applicable